Cost Effectiveness
SB 1371 and Cost Effectiveness

- Provide for the maximum technologically feasible and cost-effective avoidance, reduction, and repair of leaks and leaking components in those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines within a reasonable time after discovery, consistent with the California Global Warming Solutions Act of 2006.
Cost Effectiveness Considerations

- Cost effectiveness includes
  - Capital investments & ongoing expenses
  - Cost savings and revenue
- Cost effectiveness calculations do not include benefits
  - Avoided environmental damages
  - Avoided health impacts
  - Avoided ecosystem impacts
  - Affordability
Cost Effectiveness Considerations

- Additional cost effectiveness considerations
  - Timeframe of the analysis
  - Time value of money, including discounting and capital recovery factor

- **Transparency and consistency are paramount when comparing cost effectiveness calculations**

- Considerations outside of cost effectiveness
  - Impacts to ratepayers
  - Other pollutant impacts
  - Safety

- There is no cost-effectiveness threshold that can be applied in the context of SB 1371
Social Benefits

- SB 1371
  - “There is also a growing awareness that climate change impacts impose high social costs, including impacts upon the public health and economy”

  - Social Cost of Methane
    - The social cost of methane for a given year is an estimate, in dollars, of the present discounted value of future damage caused by a one metric ton increase in methane emissions into the atmosphere in that year, or equivalently, the benefits of reducing methane emissions by the same amount in that year.
    - Provides a comprehensive measure of the net damages – the monetized value of net impacts from global climate change that result from an additional ton of methane
    - Damages include
      - Changes in net agricultural productivity, energy use, human health, property damage from increased flood risk, water availability, costal communities, and biodiversity